

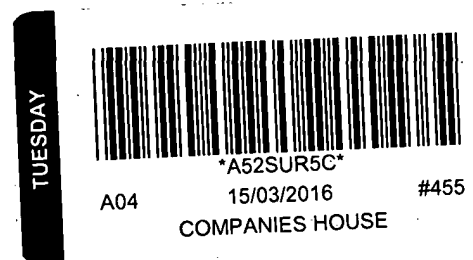
**Company Number**

**08147651**

**Brand Extension (UK) Limited**

**FINANCIAL STATEMENTS**

**for the year ended 31 December 2014**



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# Officers and Professional Advisors

## Directors

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Mr M Williams (appointed 29 May 2015)

## Registered Office

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1 Barnes Wallis Road, Segensworth East  
Fareham, Hampshire, PO15 5UA

## Banker

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Royal Bank of Scotland Plc  
Abbey Gardens  
4 Abbey Street  
Reading, RG1 3BA

## Auditor

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KPMG LLP  
Gateway House, Tollgate  
Eastleigh, SO53 3TG

## Solicitor

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Dorsey & Whitney  
199 Bishopsgate  
London, EC2M 3UT

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2014. The comparative period is from date of incorporation on 18 July 2012 to 31 December 2013.

## Principal Activities

The Company's principal activities are the provision of loft and cavity wall insulation under government funded schemes to qualifying households in the United Kingdom, and the provision of solar panel installation to households in the United Kingdom.

## Financial Review

The results for the period are set out in detail on page 8. The loss for the period was £1,537,000 (18 month period to 31 December 2013: loss of £16,000). The results for the year were impacted upon by exceptional costs in relation to a potential tax related matter of £828,000 (18 month period to 31 December 2013: £nil) so the underlying loss before tax attributable to trading was £709,000.

The Company provided insulation services to homes within the UK which qualified for carbon saving measures under the Energy Companies Obligation scheme. The Company generates tradable carbon savings certificates that verify the carbon savings generated from the insulation work, and sells the certificates to brokers. The Company also installed solar panels on domestic properties. The trading loss was the result of changes in government policy, which have had a detrimental impact on the sales value of insulation work, and changes in the solar feed in tariff.

## Post Balance Sheet event

On 5 March 2015 the Company acquired the 50% of the entire issued share capital of BE Insulated (UK) Limited not already owned, and the entire issued share capital of Carbon Reduction Company (UK) Limited, for consideration of 3,666,667 Watchstone Group Plc (formerly Quindell Plc) ordinary shares of 15 pence plus a further 200,000 Watchstone Group Plc (formerly Quindell Plc) ordinary shares of 15 pence by way of contingent consideration.

The company continued to incur losses during the first half of 2015, so in June 2015 the business of the Company was wound down and employees were transferred to the subsidiary undertaking BE Insulated Limited in order to generate synergies and reduce losses in this sector.

As part of the ongoing strategic review by the parent company Watchstone Group (formerly Quindell plc), management have taken a strategic decision to discontinue the business of loft and cavity wall insulation. On 7 January 2016 BE Insulated was disposed of marking Watchstone Group's exit from the sector. Under the terms of the disposal of BE Insulated, the contingent consideration was waived.

The Company status will be non-trading in future

## Going Concern

In the prior year, the financial statements were prepared on a going concern basis. However, during 2015 the business of the Company was wound down and employees were transferred to the subsidiary undertaking BE Insulated Limited. On 7 January 2016 BE Insulated was disposed of, and the Company will become non-trading during 2016. As they do not intend to acquire a replacement trade, the directors have not prepared the financial statements on a going concern basis.

The directors have received assurances from the Company's parent company that adequate resources will continue to be made available to meet the company's requirements to settle its liabilities for a period of at least 12 months from the approval of these financial statements. No adjustments were necessary to the amounts at which the remaining net liabilities are included in these financial statements.

## Dividends

The Directors do not recommend the payment of a final dividend (2013: £nil).

# Directors' Report (continued)

## Directors

The names of the current Directors are shown on page 3. The Directors who served during the year are as follows:

Mr M Ford (resigned 30 June 2014)  
Mr L Moorse (resigned 29 May 2015)  
Mr R Terry (resigned 25 November 2014)

## Small Companies Exemption

The Directors' report has been prepared in accordance with the provisions applicable to small companies entitled to the small companies exemption.

## Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' Report and Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with IFRSs as adopted by the EU and applicable law. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business. (As explained in note 2, the directors do not believe that it is appropriate to prepare these financial statements on a going concern basis).

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

## Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will therefore continue in office.

## Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that:

- a) so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and
- b) each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

By order of the Board



Mark P Williams  
Director

# Independent Auditor's Report to the members of Brand Extension (UK) Limited

We have audited the financial statements of Brand Extension (UK) Limited for the year ended 31 December 2014 set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Emphasis of matter - non-going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements which explains that the financial statements are now not prepared on the going concern basis for the reasons set out in that note.

## **Other matter – Prior period financial statements**

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited.

## **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# **Independent Auditor's Report to the members of Brand Extension (UK) Limited (continued)**

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations that we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

**William Smith (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
Gateway House  
Tollgate  
Chandlers Ford  
Eastleigh  
SO53 3TG

# Financial Statements

## Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
<b>Revenue</b>	<b>6</b>	<b>5,361</b>	<b>4,858</b>
Cost of sales		(4,285)	(2,916)
<b>Gross Profit</b>		<b>1,076</b>	<b>1,942</b>
Administrative expenses			
- Normal		(1,914)	(1,981)
- Exceptional costs	<b>8</b>	(828)	-
<b>Total administrative expenses</b>		<b>(2,742)</b>	<b>(1,981)</b>
<b>Operating Loss</b>	<b>7</b>	<b>(1,666)</b>	<b>(39)</b>
Finance income	<b>10</b>	134	-
<b>Loss before taxation</b>		<b>(1,532)</b>	<b>(39)</b>
Taxation	<b>11</b>	(5)	23
<b>Loss for the year/period from discontinued operations</b>		<b>(1,537)</b>	<b>(16)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the year/period, net of tax		-	-
<b>Comprehensive income for the year/period</b>		<b>(1,537)</b>	<b>(16)</b>

The notes on pages 12 to 26 form an integral part of the financial statements.



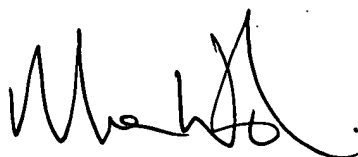
## Statement of Financial Position

As at 31 December 2014

	Note	2014 £'000	Unaudited Restated (Note 3) 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	12	40	25
Investments	13	-	-
		<b>40</b>	<b>25</b>
<b>Current assets</b>			
Trade and other receivables	14	3,499	3,903
Corporation tax assets		-	23
Cash	15	459	470
		<b>3,958</b>	<b>4,396</b>
<b>Total assets</b>		<b>3,998</b>	<b>4,421</b>
<b>Current liabilities</b>			
Trade and other payables	16	(4,723)	(4,437)
Provisions	17	(828)	-
<b>Total liabilities</b>		<b>(5,551)</b>	<b>(4,437)</b>
<b>Net liabilities</b>		<b>(1,553)</b>	<b>(16)</b>
<b>Equity</b>			
Share capital	19	-	-
Retained earnings		(1,553)	(16)
<b>Total equity</b>		<b>(1,553)</b>	<b>(16)</b>

The notes on pages 12 to 26 form an integral part of the financial statements.

The Financial Statements of Brand Extension (UK) Limited, registered number 08147651, on pages 8 to 26 were approved and authorised for issue by the Directors on 10 March 2016 and signed on its behalf by:



**Mark P Williams**  
Director

## Statement of Changes in Equity

for the year ended 31 December 2014

	Share capital £'000	Retained earnings £'000
At 1 January 2014 (unaudited)	-	(16)
Loss for the year		(1,537)
At 31 December 2014	-	(1,553)
At 18 July 2012 (Incorporation) (unaudited)	-	-
398 Shares issued during the period (unaudited)	-	-
Loss for the period (unaudited)		(16)
At 31 December 2013 (unaudited)	-	(16)

The notes on pages 12 to 26 form an integral part of the financial statements.

## Cash Flow Statement

for the year ended 31 December 2014

		2014 £'000	Unaudited Restated (Note 3) 18 months to 31 December 2013 £'000
<b>Cash flows from operating activities</b>	<b>Note</b>		
Cash used in operations before net finance income and tax	20	(264)	(1,456)
Corporation tax received		18	-
<b>Cash used by operations before net finance income</b>		<b>(246)</b>	<b>(1,456)</b>
<b>Cash flows from financing activities</b>			
Finance income received	10	134	-
<b>Cash used by operating activities</b>		<b>(112)</b>	<b>(1,456)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(28)	(55)
Proceeds on disposal of property, plant and equipment		-	34
Intercompany loans made		-	(705)
Related party loan made		(132)	(1,082)
<b>Net cash used in investing activities</b>		<b>(160)</b>	<b>(1,808)</b>
<b>Cash flows from financing activities</b>			
Intercompany loans received		261	3,734
<b>Net cash generated by financing activities</b>		<b>261</b>	<b>3,734</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(11)</b>	<b>470</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>21</b>	<b>470</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>459</b>	<b>470</b>

The notes on pages 12 to 26 form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. General information

Brand Extension (UK) Limited is a company registered and domiciled in the United Kingdom. The Financial Statements are presented in pounds sterling, to the nearest thousand, as this is the currency of the primary economic environment in which the Company operates. The address of the registered office is 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire, PO15 5UA. The nature of the Company's operations and its principal activities are set out on page 4.

## 2. Significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. These policies have been consistently applied to all the years presented.

### Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations adopted by the European Union ("EU"). The Financial Statements have been prepared under the historical cost convention. A summary of the significant Company accounting policies, which have been applied consistently across the Company, is set out below. The Company has reviewed its accounting policies in accordance with IAS 8 and determined that they are appropriate for the Company and have been consistently applied.

The Company is not required to prepare consolidated IFRS Financial Statements under section 401 of the Companies Act 2006 and IAS 27 "Presentation of consolidated financial statements" as it is a subsidiary of another entity that prepares consolidated financial statements which are drawn up in a manner equivalent to those drawn up in accordance with the provisions of the EC 7<sup>th</sup> Directive. As such the results presented here are for the Company as an individual undertaking and not of its group.

### Going Concern

In the prior year, the financial statements were prepared on a going concern basis. However, during 2015 the business of the Company was wound down and employees were transferred to the subsidiary undertaking BE Insulated Limited. On 7 January 2016 BE Insulated was disposed of, and the Company will become non-trading during 2016. As they do not intend to acquire a replacement trade, the directors have not

prepared the financial statements on a going concern basis.

The directors have received assurances from the Company's parent company that adequate resources will continue to be made available to meet the company's requirements to settle its liabilities for a period of at least 12 months from the approval of these financial statements. No adjustments were necessary to the amounts at which the remaining net liabilities are included in these financial statements.

### Revenue recognition

Revenue from the rendering of a particular service is recognised upon the delivery of that service to the customer. Revenue includes an assessment of accrued income where appropriate.

The company has been engaged in performing loft and cavity insulation work on domestic properties which qualify for carbon saving measures under the Energy Company Obligation ('ECO') scheme within the United Kingdom.

Insulation of qualifying properties generates tradeable carbon which is sold to brokers, who ultimately sell the carbon to energy companies to enable them to fulfil their carbon reduction targets.

The company recognises revenue on completion of insulation of individual properties, which is judged to be the time the carbon is submitted to brokers, measured at the contractually agreed rate for the carbon. Sales are invoiced following acceptance of the carbon by the energy company once their compliance checks are completed.

This leads to a timing difference between the recognition of revenue and invoicing, and carbon submitted to brokers but not invoiced are included in accrued income.

The Company recognises revenue from the installation of solar panels on completion of the installation, at the cash consideration receivable.

### Operating profit

Operating profit is profit stated before finance income, finance expense and tax.

#### **Borrowing costs**

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred. Borrowing costs have not been capitalised on the grounds of materiality as the business has not developed any significant qualifying assets.

#### **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write off the cost less estimated residual values over their estimated useful lives as follows:

- Plant and equipment: 20%-33% per annum reducing balance

Residual value is based on the estimated amount that would currently be obtained from disposal.

Estimated residual values and useful economic lives are reviewed annually and adjusted where necessary.

#### **Investments**

Investments in subsidiaries are carried at cost less any provision for impairment.

#### **Leases**

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

#### **Trade receivables**

Trade receivables are held at amortised cost less any impairment provisions and this equates to their recoverable value. Movements in the impairment provision relating to credit risk are recognised within administrative expenses as bad debt expenses.

#### **Trade payables**

Trade payables do not carry any interest and are stated at their fair value.

#### **Cash and cash equivalents**

Cash in the Statement of Financial Position comprises cash at banks and in hand. For the purpose of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation in respect of a past event and it is probable that settlement will be required of an amount that can be reliably estimated.

#### **Taxation including deferred tax**

The tax expense represents the sum of current tax and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised in equity in which case it is recognised in equity. The current tax is based on taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit. In principle deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets or liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

### **3. Prior year adjustments**

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#### **Investment carrying value**

As reported and adjusted in the 2013 consolidated accounts of Watchstone Group Plc (formerly Quindell Plc) the Board of Watchstone Group Plc (formerly Quindell Plc) has reviewed certain acquisitions and concluded that in some cases consideration payable previously accounted for as a cost of acquisition and resulting in goodwill should have been treated as post acquisition vendor remuneration in accordance with IFRS 3. As part of the work in preparing the 2014 consolidated accounts of Watchstone Group Plc (formerly Quindell Plc), it has been identified that there are further acquisitions where

the accounting for consideration paid has not followed the requirements of IFRS 3.

The acquisition by this Company of Skillwise Consulting Limited in September 2013 is one of these acquisitions identified. The consideration for this acquisition was £2,767,500. The carrying value of the investment in Skillwise Consulting Limited is reversed from the books of Brand Extension (UK) Limited where it was originally reflected. This has resulted in the prior year balance sheet and cash flow statement being restated, and as the vendor remuneration cost was borne by another group company, when the transaction was reversed the

restatement did not result in a charge to the income statement.

#### Classifications of transactions within the cash flow statement

The prior year cash flow statement presented certain intercompany and related party loans made as cash flows from financing activities. These have been reclassified to be shown as cash flows from investing activities.

### 3a. Impact of reversing the carrying value of investment: Statement of Financial Position (18 July 2012 to 31 December 2013)

	Unaudited As previously Stated 2013 £'000	Reversal of Cost of Investment £'000	Unaudited Restated 2013 £'000
<b>Non-current assets</b>			
Property, plant and equipment	25	-	25
Investments	2,768	(2,768)	-
	<b>2,793</b>	<b>(2,768)</b>	<b>25</b>
<b>Current assets</b>			
Trade and other receivables	3,903	-	3,903
Corporation tax assets	23	-	23
Cash and cash equivalents	470	-	470
	<b>4,396</b>	<b>-</b>	<b>4,396</b>
<b>Total assets</b>	<b>7,189</b>	<b>(2,768)</b>	<b>4,421</b>
<b>Current liabilities</b>			
Trade and other payables	(7,205)	2,768	(4,437)
<b>Total liabilities</b>	<b>(7,205)</b>	<b>2,768</b>	<b>(4,437)</b>
<b>Net liabilities</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>
<b>Equity</b>			
Share capital	-	-	-
Retained earnings	(16)	-	(16)
<b>Total equity</b>	<b>(16)</b>	<b>-</b>	<b>(16)</b>

**3b. Impact of reversing the carrying value of investment: Cash Flow Statement (18 July 2012 to 31 December 2013)**

	Unaudited As previously stated 18 months to 31 December 2013 £'000	Reversal of Cost of Investment 2013 £'000	Re- classifications 2013 £'000	Unaudited Restated 18 months to 31 December 2013 £'000
<b>Cash flows from operating activities</b>				
Cash used by operations before exceptional costs, net finance expense and tax	(1,498)	42	-	(1,456)
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(55)	-	-	(55)
Proceeds on disposal of property, plant and equipment	34	-	-	34
Purchase of fixed asset investments	(2,768)	2,768	-	-
Intercompany loans made	-	-	(705)	(705)
Related party loan made	-	-	(1,082)	(1,082)
<b>Net cash used in investing activities</b>	<b>(2,789)</b>	<b>2,768</b>	<b>(1,787)</b>	<b>(1,808)</b>
<b>Cash flows from financing activities</b>				
Related party loans received	4,757	(2,810)	1,787	3,734
<b>Net cash generated by financing activities</b>	<b>4,757</b>	<b>(2,810)</b>	<b>1,787</b>	<b>3,734</b>
<b>Net increase in cash and cash equivalents</b>	<b>470</b>	<b>-</b>	<b>-</b>	<b>470</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>470</b>	<b>-</b>	<b>-</b>	<b>470</b>

## 4. Adoption of new and revised Standards

In the current year, the following new and revised Standards and Interpretations have been adopted:

### Standards, amendment and interpretations affecting the financial statements adopted by the Company

There are no new standards, amendments or interpretations adopted by the Company that have a material impact on the financial statements for this year. The Company adopted IFRSs 10, 11 and 12 in the year ended 31 December 2013 and those accounts detail the restatements made as a result of the adoption of those standards.

### Standards, amendments and interpretations not significantly affecting the reported results nor the financial position

Amendment to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendment to IAS 36	Disclosures required on the recoverable amount of CGUs
Amendment to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting

### New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, as follows:

Amendment to IAS 19	Defined Benefit Plans: Employee Contributions
IFRS 14	Regulatory Deferral Accounts
Amendment to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendment to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation

Amendment to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendment to IAS 27	Equity Method in Separate Financial Statements
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment entities: Applying the Consolidation Exception
Amendment to IAS 1	Disclosure Initiative
IFRS 9	Financial Instruments

The following standard has not been applied in preparing these financial statements:

IFRS 15	'Revenue from contracts with customers'.
	This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.
	The standard is expected to be effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement.
	The Company has assessed the impact of IFRS 15 and does not expect any impact on future reported revenue.

## 5. Critical accounting judgements and key sources of estimation uncertainty

Management do not consider that there are any significant accounting judgements or sources of estimation uncertainty.



## 6. Key performance indicators

		2014	Unaudited 18 months to 31 December 2013
	Note	£'000	£'000
<b>Revenue:</b>			
Revenue from services		5,361	4,858
<b>Total revenue</b>		<b>5,361</b>	<b>4,858</b>
<b>Adjusted EBITDA:</b>			
Loss before taxation		(1,532)	(39)
Depreciation	12	13	13
Exceptional Item	8	828	-
Profit on disposal of tangible fixed assets		-	(17)
Net finance income	10	(134)	-
<b>Adjusted EBITDA</b>		<b>(825)</b>	<b>(43)</b>

## 7. Operating Loss

The operating loss for the year is stated after charging/(crediting):

	2014	Unaudited 18 months to 31 December 2013
	£'000	£'000
Depreciation of property, plant and equipment	13	13
Profit on disposal of tangible fixed assets	-	(17)
Staff costs (note 9)	496	639

The Company was not subject to audit in the prior period. Audit fees of £11,000 in the current year were borne by its parent, Watchstone Group Plc, formerly Quindell Plc and not recharged. Accordingly, Auditor's remuneration for statutory audit services is £11,000 (2013 : £nil).

## 8. Exceptional Items

	2014	Unaudited 18 months to 31 December 2013
	£'000	£'000
Exceptional costs - Tax related matter	828	-

Costs are classified as exceptional where they are not incurred in the ordinary course of business and are expected to be non-recurring.

A provision for tax-related matters has been established with respect to judgemental tax positions which have not yet been resolved. The amount provided represents the Directors' estimate of the likely outcome based upon the information available however the ultimate settlement may be different. The Company is taking steps to resolve this and believe this will be settled in due course (note 17). The Company's immediate parent, Watchstone Limited (previously Quindell Technologies Limited) has indicated that it will settle any amounts payable in order for the Company to continue to meet its obligations as they fall due.

## 9. Employee and staff costs

The average number of employees during the year including directors was as follows:

	2014 Number	Unaudited 18 months to 31 December 2013 Number
Directors	3	4
Employees	28	28
	<b>32</b>	<b>32</b>

The remuneration of the Directors was as follows:

	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
Emoluments	66	7

The emoluments of the highest paid Director were £66,000 (2013: £7,000). No retirement benefits were accruing under any schemes in respect of any of the Directors (2013: none). None of the Directors received any remuneration in connection with contributions to pension schemes. The cost of certain of the Directors was borne by other group companies in 2014 and in 2013.

Total employee costs were as follows:

	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
Wages and salaries	467	604
Social security costs	29	35
	<b>496</b>	<b>639</b>

## 10. Finance income

	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
Loan interest receivable from related companies	134	-
<b>Net finance income</b>	<b>134</b>	<b>-</b>

## 11. Taxation

	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
The taxation (charge)/credit comprises:		
Current tax:		
- Current year	-	23
- Adjustments in respect of prior year	(5)	-
<b>Taxation</b>	<b>(5)</b>	<b>23</b>

Income tax for the UK is calculated at the standard rate of UK corporation tax of 21.5% (2013: 23.25%) on the estimated assessable profit for the year. The total charge for the year can be reconciled to the accounting loss as follows:

	2014 £'000	Unaudited 18 months to 31 December 2013 £'000
Loss on ordinary activities before tax	(1,532)	(39)
Tax at 21.50% (2013: 23.25%) thereon	329	9
Effect of:		
Expenses not deductible for tax purposes	-	14
Unprovided deferred tax asset on losses	(329)	-
Adjustments to tax charge in respect of prior periods	(5)	-
<b>Total tax (charge)/credit for the year</b>	<b>(5)</b>	<b>23</b>

Deferred tax assets are recognised for tax losses available for carrying forward to the extent that the realisation of the related tax benefit through future tax losses is probable. The Company has recognised deferred tax assets of £nil (2013: £nil) in respect of losses amounting to £1,532,000 (2013: £nil) that can be carried forward against future taxable income.

### Factors affecting future tax charges

The March 2013 UK Budget Statement proposed further reductions to the main UK Corporation Tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These had been substantively enacted at the balance sheet date and, therefore, the effect of them is included in these Financial Statements. Accordingly, the deferred tax balance has been calculated using a rate of 20%. No further changes to future tax rates were announced in the March 2014 Budget Statement on 19 March 2014 or in the March 2015 Budget Statement on 18 March 2015. In the July 2015 Budget Statement, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the Company's future current tax charge accordingly.

## 12. Property, plant and equipment

	Plant and equipment £'000	Total £'000
<b>Cost</b>		
At 18 July 2012	-	-
Additions	55	55
Disposals	(24)	(24)
<b>At 1 January 2014 (Unaudited)</b>	<b>31</b>	<b>31</b>
Additions	28	28
Disposals	-	-
<b>At 31 December 2014</b>	<b>59</b>	<b>59</b>
<b>Depreciation</b>		
At 18 July 2012	-	-
Charge for the period	13	13
Disposals	(7)	(7)
<b>At 1 January 2014 (Unaudited)</b>	<b>6</b>	<b>6</b>
Charge for the year	13	13
Disposals	-	-
<b>At 31 December 2014</b>	<b>19</b>	<b>19</b>
<b>Net book value</b>		
<b>31 December 2014</b>	<b>40</b>	<b>40</b>
31 December 2013 (Unaudited)	25	25

There were no material commitments for the acquisition of property, plant or equipment at either 31 December 2014 or 31 December 2013.

## 13. Investments

The Company has the following investments at 31 December 2014 and at 31 December 2013:

	Country of incorporation	Percentage holding (%)
Skillwise Consulting Limited	UK	100
BE Insulated (UK) Limited	UK	50

The 31 December 2013 position is unaudited and restated (note 3)

Investments are held at historic cost. The carrying cost of the investment, which is the share capital of the company, has not been recorded but is considered to be immaterial and also has been subject to review by the Board and is considered to be £nil at 31 December 2014 (2013 restated: £nil).

## 14. Trade and other receivables

	2014 £'000	Unaudited 2013 £'000
Trade receivables (net of impairment provision)	606	1,056
Amounts due from related parties (note 25)	1,967	1,787
Other receivables	432	192
Prepayments	14	-
Accrued income	480	868
	<b>3,499</b>	<b>3,903</b>

The Directors consider that the net carrying amount of Trade receivables approximates to their fair value.

## 15. Cash and cash equivalents

Cash and cash equivalents comprise the following for the purposes of the cash flow statement:

	2014 £'000	Unaudited 2013 £'000
Cash	459	470

Cash and cash equivalents comprise cash held by the Company. The carrying amount of these assets approximates to their fair value.

## 16. Trade and other payables

	2014 £'000	Unaudited Restated (note 3) 2013 £'000
<b>Current liabilities</b>		
Trade payables	148	266
Amounts due to related parties (note 25)	4,011	4,021
Payroll and other taxes including social security	144	34
Accruals	420	116
	<b>4,723</b>	<b>4,437</b>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade payables approximates to their fair value.

## 17. Provisions

	Tax related matters £'000	Total £'000
<b>At 18 July 2012 and at 1 January 2014 (Unaudited)</b>	-	-
Movements in the year:		
Tax related matters	828	828
<b>At 31 December 2014</b>	<b>828</b>	<b>828</b>
Split:		
Non-current	-	-
Current	828	828

### Tax related matters

A provision for tax-related matters has been established with respect to judgemental tax positions which have not yet been resolved. The amount provided represents the Directors' estimate of the likely outcome based upon the information available however the ultimate settlement may be different. The Company is taking steps to resolve this and believe this will be settled within twelve months from date of signature of these financial statements. The Company's immediate parent, Watchstone Limited (previously Quindell Technologies Limited) has indicated that it will settle any amounts payable in order for the Company to continue to meet its obligations as they fall due.

## 18. Contingent liabilities

The Company routinely enters into a range of contractual arrangements in the ordinary course of events which can give rise to claims or potential litigation against group companies. It is the Company's policy to make specific provisions at the Statement of Financial Position date for all liabilities which, in the opinion of the Directors, are expected to result in a significant loss.

All such matters are periodically assessed with the assistance of external professional advisers, where appropriate, to determine the likelihood of the Company incurring a liability and to evaluate the extent to which a reliable estimate of any liability can be made.

In the opinion of the Directors, the Company does not have any contingent liabilities at the Statement of Financial Position date.

## 19. Share capital

	2014		Unaudited 2013	
	Number	Nominal value £	Number	Nominal value £
400 issued and fully paid shares:	400	400	400	400

The Company has one class of Ordinary Shares of one pound each which carry no right to fixed income.

## 20. Cash flow from operating activities

	2014 £'000	Unaudited Restated (Note 3) 18 months to 31 December 2013 £'000
Operating loss	(1,666)	(39)
Adjustments for:		
Exceptional costs	828	-
Depreciation of property, plant and equipment	13	13
Loss on disposal of tangible fixed assets	-	(17)
<b>Operating cash flows before movements in working capital and provisions</b>	<b>(825)</b>	<b>(43)</b>
Decrease/(increase) in trade and other receivables	573	(2,116)
(Decrease)/increase in trade and other payables	(12)	703
<b>Cash used by operations</b>	<b>(264)</b>	<b>(1,456)</b>

## 21. Reconciliation of net cash flow to movement in net funds

	1 January £'000	Cash flow movements £'000	Non-cash movements £'000	31 December £'000
<b>2014</b>				
Cash	470	(11)	-	459
<b>Cash and cash equivalents &amp; Net funds</b>	<b>470</b>	<b>(11)</b>	<b>-</b>	<b>459</b>

	1 July 2012 £'000	Cash flow movements £'000	Non-cash movements £'000	31 December £'000
From 18 July 2012 to 31 December 2013 (Unaudited)				
Cash	-	470	-	470
<b>Cash and cash equivalents &amp; Net funds</b>	<b>-</b>	<b>470</b>	<b>-</b>	<b>470</b>

## 22. Financial instruments

### Carrying value and fair value

The accounting classification of each class of the Company's financial assets and liabilities, together with their fair values is as follows:

	Loans and receivables £'000	Other liabilities £'000	Total carrying value £'000	Total fair value £'000
<b>At 31 December 2014</b>				
Trade and other receivables	3,499	-	3,499	3,499
Trade and other payables	-	(4,723)	(4,723)	(4,723)
Cash and cash equivalents	459	-	459	459
<b>At 31 December 2013 (Unaudited)</b>				
Trade and other receivables	3,903	-	3,903	3,903
Trade and other payables (Restated – note 3)	-	(4,437)	(4,437)	(4,437)
Cash and cash equivalents	470	-	470	470

The fair values of financial assets and liabilities are determined in relation to estimated discounted cash flows to net present values.

Cash and cash equivalents classified as loans and receivables mainly comprise investments in AAA/AA bank deposits which can be withdrawn without notice.

### Financial risk management

The Company's financial instruments comprise borrowings, cash and liquid resources and various items such as trade debtors and trade creditors that arise from its operations. The main purpose of these financial instruments is to manage the Company's operations. All financial instruments are held in the UK and denominated in sterling so there is no exposure to movements in foreign exchange rates

### Liquidity risk

The Company generates funds from operations which are managed centrally within its group. Amounts due to Group companies are repayable on demand so are shown as falling due within one year. However they will only be repaid when funds are available in line with Group Treasury arrangements.

## 22. Financial instruments (Continued)

The following are the contractual maturities of financial liabilities:

	Carrying amount £'000	Contractual cash flows £'000	Less than 1 year £'000	Between 1-5 years £'000
<b>Non-derivative financial liabilities</b>				
<b>2014</b>				
Trade payables	148	(148)	(148)	-
Amounts due to related parties	4,011	(4,011)	(4,011)	-
Payroll and other creditors	144	(144)	(144)	-
Accruals	420	(420)	(420)	-
	<b>4,723</b>	<b>(4,723)</b>	<b>(4,723)</b>	<b>-</b>
<b>Restated (note 3) 2013 (Unaudited)</b>				
Trade and other payables	266	(266)	(266)	-
Amounts due to related parties	4,021	(4,021)	(4,021)	-
Payroll and other creditors	34	(34)	(34)	-
Accruals	116	(116)	(116)	-
	<b>4,437</b>	<b>(4,437)</b>	<b>(4,437)</b>	<b>-</b>

### Credit risk

The Company is subject to a significant concentration of credit risk with exposure limited to a small number of companies. Policies are maintained to ensure that the Company enters into sales contracts that are tailored to the customers' respective credit risk. The credit quality of the Company's trade receivables is kept under review by management in light of the changes to the carbon trading scheme which has impacted trading partner's stability.

The average credit period taken on sales of services is 42 days (2013: 60 days). No interest is charged on the receivables balances. The Company does not hold any collateral or other credit enhancements over these balances nor has the legal right of offset with any amounts owed by the Company to the receivables counterparty.

Amounts due from group companies are repayable on demand but will only be settled in accordance with Group Treasury arrangements. The credit risk is therefore considered to be low due to the Group's financial position.

Amounts due from related companies are repayable on demand and the credit quality of related companies are kept under review by management.

The carrying amounts of trade and other payables are denominated in Sterling (2013: Sterling).

The carrying amount of financial assets represents the maximum credit exposure. At the reporting date the principal financial assets were:

	Note	2014 £'000	Unaudited 2013 £'000
<b>Non-derivative financial assets</b>			
Trade receivables	14	606	1,056
Amounts due from related parties	25	1,967	1,787
Other receivables	14	926	1,060
Cash and cash equivalents	15	459	470
		<b>3,958</b>	<b>4,373</b>



## 22. Financial instruments (Continued)

The ageing of loans and other receivables was as follows:

	2014 Gross £'000	2014 Impairment £'000	2014 Net £'000	Unaudited 2013 Gross £'000	Unaudited 2013 Impairment £'000	Unaudited 2013 Net £'000
<b>Under 1 year</b>						
Trade receivables	638	(32)	606	1,056	-	1,056
Amounts due from related parties	1,967	-	1,967	1,787	-	1,787
Other receivables	926	-	926	1,060	-	1,060
	<b>3,531</b>	<b>(32)</b>	<b>3,499</b>	<b>3,903</b>	<b>-</b>	<b>3,903</b>

The movement in the allowance for impairment in respect of loans and other receivables during the year was as follows:

	2014 £'000	Unaudited 2013 £'000
At 1 January 2014	-	-
Provision for receivables impairment	(32)	-
	<b>(32)</b>	<b>-</b>

The allowance has been determined by reference to the recoverability of specific due and overdue debts. The creation and reversal of provisions for impaired trade receivables where they arise are included in administrative expenses in the Income Statement. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

## 23. Dividends

The Directors do not propose the payment of a dividend for the year ended 31 December 2014 (2013: £nil).

## 24. Ultimate parent company and controlling party

The immediate parent company is Quindell Technologies Limited. The ultimate controlling party of the Company and the parent company of the smallest group to consolidate these Financial Statements is Watchstone Group Plc, formerly Quindell Plc. Copies of the consolidated accounts of Watchstone Group Plc, formerly Quindell Plc can be obtained by writing to the Company Secretary at 1 Barnes Wallis Road, Segensworth East, Fareham, Hampshire PO15 5UA.

## 25. Related party transactions

Transactions with related parties and companies within Watchstone Group Plc, formerly the Quindell Plc:

	Sales made to / (Expenses incurred from)		Receivable/(payable)	
	2014	Unaudited 2013	2014	Unaudited Restated 2013
	£'000	£'000	£'000	£'000
<b>Amounts due from related parties</b>				
<i>Group</i>				
Ultimate parent	-	-	37	-
Fellow subsidiaries	166	-	715	705
<i>Related company</i>				
BE Insulated Limited (note 26)	727	(263)	1,215	1,082
			<b>1,967</b>	<b>1,787</b>
	2014	Unaudited 2013	2014	Unaudited Restated (note 3) 2013
	£'000	£'000	£'000	£'000
<b>Amounts due to related parties</b>				
<i>Group</i>				
Ultimate parent	-	-	-	(350)
Immediate parent	-	-	(3,995)	(3,384)
Fellow subsidiaries	(66)	(30)	(16)	(42)
			<b>(4,011)</b>	<b>(3,776)</b>

### Transactions with related companies

Transactions with companies controlled by M Ford (director - resigned 30 June 2014) are:

	2014	Unaudited 2013
	£000	£000
TMC Southern Ltd	-	(155)
TMC Marketing Ltd & Quindell Brand Extension Services Ltd	-	(90)
	<b>-</b>	<b>(245)</b>

The balances were attributable to funding received in 2013 and were repaid in full during the year.

N Hobb's was the company's acting managing director in 2013 and 2014 and provided his services through Bright Orange Ltd, a private company. The company made payments to Bright Orange Ltd of £70,794 (2013 £23,083) in respect of these services.

## 26. Post balance sheet events

On 5 March 2015 the Company acquired the 50% of the entire issued share capital of BE Insulated (UK) Limited not already owned, and the entire issued share capital of Carbon Reduction Company (UK) Limited, for consideration of 3,666,667 (Watchstone Group Plc) formerly Quindell Plc ordinary shares of 15 pence.

As part of the ongoing strategic review by the parent company Watchstone Group (formerly Quindell plc), management have taken a strategic decision to discontinue the business of loft and cavity wall insulation. On 7 January 2016, fellow subsidiary BE Insulated was disposed of marking Watchstone Group's exit from the sector. The Company status will be non-trading in future